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C O N F I D E N T I A L NAIROBI 000315

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TAGS: [ECON](#) [EWWT](#) [KCOR](#) [ETRD](#) [PGOV](#) [KE](#)
SUBJECT: PATRONAGE IN MOMBASA: THE KENYA PORTS AUTHORITY
GETS A NEW BOSS

REF: 05 NAIROBI 1668

Classified By: Econ Counselor John F. Hoover, EO 12958 reason 1.5(d)

1. (C) Summary: Based on demands from local politicians for an appointee from Coast Province, Kenyan Transport Minister Chirau Ali Mwakwere appointed Abdalla Mwaruwa to the critical position of Managing Director (MD) of the Kenya Ports Authority (KPA). The Minister ignored the KPA Board's recommendation to renew the contract with former MD Brown Ondego, who had recently improved port efficiency, and made KPA profitable. If Mwaruwa succumbs to likely patronage demands, it may slow or reverse the efficiency gains KPA recently achieved, damaging the economy of Kenya and the other countries that rely on Mombasa for imports and exports. End summary.

GOK Bows to MPs, Demands for Local Son to Run KPA

2. (C) On January 13, Kenya's Transport Minister Mwakwere appointed Abdalla Hemed Mwaruwa to a three-year term as KPA's MD, replacing Brown Ondego, who served as KPA MD from 1999 to 2005. Mwaruwa's selection followed demands by Coast Province Member of Parliaments (MPs) led by National Heritage Minister Suleiman Shakombo that a person from the province be appointed to head the parastatal. (Mombasa residents have long pressured their MPs to push for a Coast native to run the port, mainly in hopes that this will secure more port jobs for locals.) Although Mwakwere claimed the appointment procedure was legal, the KPA Act mandates that the Board of Directors should choose the Managing Director for appointment by the Minister. Press reports claim the KPA Board found Ondego's performance had met or exceeded his contract's performance goals and recommended renewing Ondego's contract, (which had expired in December) but that Minister Mwakwere got permission from President Kibaki to ignore the Board's recommendation. Both Mwakwere and Mwaruwa are ethnic Miji Kenda from Coast Province. Ondego told Poloff that Mwaruwa is also a cousin of Heritage Minister Shakombo.

Why Not Retain Previous Managing Director?

3. (SBU) KPA and the Port of Mombasa are the

biggest revenue earning enterprises in Coast Province, and as noted reftel, their performance is critical to the economy of Kenya and neighboring countries that rely on Mombasa for imports and exports. While himself dogged by allegations that he participated in or condoned corruption at the Port, Ondego made some important progress in improving KPA and port performance in the later part of his 1999-2005 term. Container theft declined, and KPA's losses turned into a profit of \$10 million in 2005. KPA embarked on an aggressive upgrade and expansion program, and all key indicators of efficiency for the parastatal improved slightly.

Who is Mwaruwa and What,s His Agenda?

14. (U) Abdalla Hemed Mwaruwa is largely unknown in the area of corporate management. Prior to his appointment, he was Senior Assistant Commissioner in charge of research and corporate planning in the Customs and Excise Department at the Kenya Revenue Authority (KRA). He previously led the investigations branch at the Customs and Excise Department, Southern Region (Mombasa). He worked at KPA in the Mombasa port for 23 years in various capacities before joining KRA. KPA funded his Masters of Science degree at Southampton University, UK. He is 53 years old, married, Muslim and ethnic Miji Kenda.

15. (C) Mwaruwa is believed to have performed satisfactorily at KRA, and it is too early to

predict his performance as the new chief of KPA. His overarching dilemma will be having to choose between pushing hard to implement KPA's strategic plan and continue increasing port efficiency, or repaying his benefactors by providing patronage jobs and inflating KPA's wage and compensation budget. The early signs are not good, as Mwaruwa's selection for the post is being met with less enthusiasm than expected among the Coastal business community. Local business leaders told Poloff during a recent visit that they fear Mwaruwa will not be able to continue with the progress Ondego made in reforming the ports, and many are upset that nepotism dominated the selection.

Comment: Appointment is Sign of Political Weakness; Sends Bad Signal

16. (C) Pandering to family, tribal, and regional interests - and ignoring or downplaying merit - is nothing new in Kenya, but the phenomenon appears to be more pronounced following the GOK's defeat in the November constitutional referendum. President Kibaki and his insiders at State House appear increasingly desperate to do whatever it takes to shore up political support ahead of the looming general elections in 2007.

17. (C) What is unfortunate is that this pattern is being repeated in an administration whose initial reform program called for infusing private sector management practices into the public sector * starting with state corporations. Brown Ondego, who came from the private sector, was among the first parastatal executives to sign a contract with performance targets at the beginning of 2003. Replacing him with a career bureaucrat with underwhelming credentials does not bode well

for hopes of continuing the long and painful process of revitalizing Mombasa port, which as noted reftel, is in many ways the economic linchpin of the entire East Africa region. The move also sends a signal to other parastatal chiefs in Kenya that making decisions based on political calculations, rather than sound management, may be the key to job security.

End comment
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